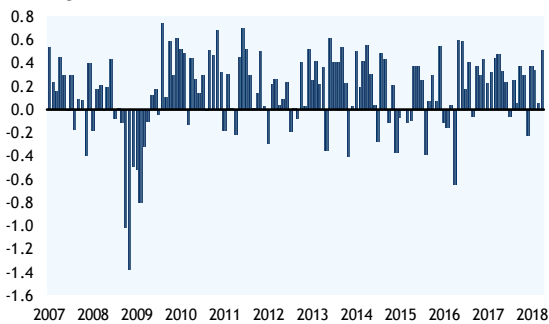


Overview and highlights

Real GDP

% change, month-over-month



Source: Statistics Canada

▲ GDP growth came in above consensus with a 0.5% increase in May—markets were expecting +0.3% .

▲ Employment soared a much stronger-than-expected 54k building further onto the 32k gain in June.

▲ Retail sales rose 2.0% both in nominal and volume terms to reverse a big 0.9% drop (-1.1% volumes) in April.

▲ Canadian housing starts fell to 206k annualized units in July, retracing a good portion of June's unexpectedly strong jump to 246k.

▲ Canada's trade deficit gapped lower in June. June's \$0.6 billion deficit is the smallest since January 2017.

▲ Canadian inflation report for July came in much stronger than expected with the year-over-year rate unexpectedly jumping to 3.0% rather than expectations for an unchanged 2.5%.

CURRENT TRENDS UPDATE – CANADA

Update - August 17, 2018

Canadian GDP surprised to the upside in May; growth was broadly-based

Latest available: May

Release date: July 31, 2018

Growth came in above consensus with a 0.5% increase in May—markets were expecting +0.3%. With activity rising month-over-month in 19 of 20 industries it was the most broadly-based gain in more than a decade. Utilities provided the only drag as April's weather-related increase in electricity demand was retraced. Conversely, sectors that were held down by bad weather in the prior month (retail and construction) saw a healthy rebound in May. The other factor that held growth to 0.1% in April was a pullback in non-energy mining, which increased only modestly in May. Across-the-board gains in services sent activity in the sector up 0.5%, matching the best monthly pace in a decade.

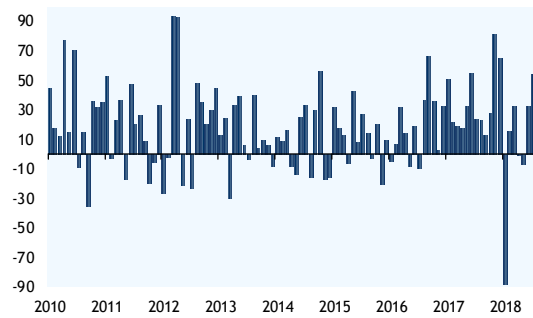
Economy at a glance

	Latest month	% change from	
		Previous month	Year ago
Real GDP	May	0.5	2.6
Industrial production	May	0.5	3.8
Employment	Jul	0.3	1.3
Unemployment rate*	Jul	5.8	6.3
Manufacturing			
Production	May	0.1	2.3
Employment	Jul	-1.1	-1.4
Shipments	Jun	1.1	6.9
New orders	Jun	-1.8	14.0
Inventories	Jun	0.5	9.2
Retail sales	May	2.0	3.6
Car sales	Jun	-0.1	-1.6
Housing starts (000s)*	Jul	206.3	225.1
Exports	Jun	4.1	9.2
Imports	Jun	-0.2	4.2
Trade balance (\$billions)*	Jun	-0.6	-2.8
Consumer prices	Jul	0.5	3.0

* Levels are shown for the latest period and the same period a year earlier.

Employment

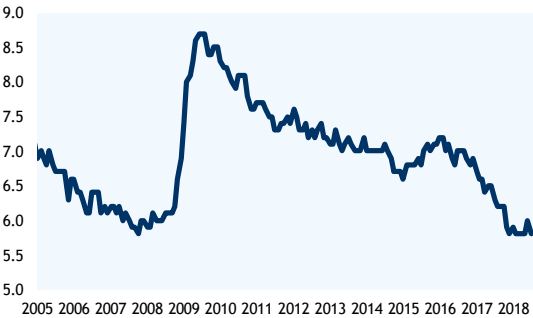
Change in thousands, month-over-month



Source: Statistics Canada

Unemployment rate

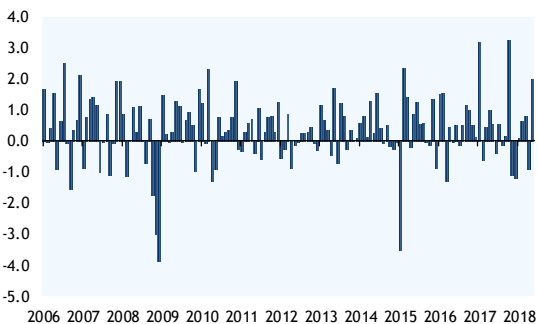
% of labour force



Source: Statistics Canada

Retail sales

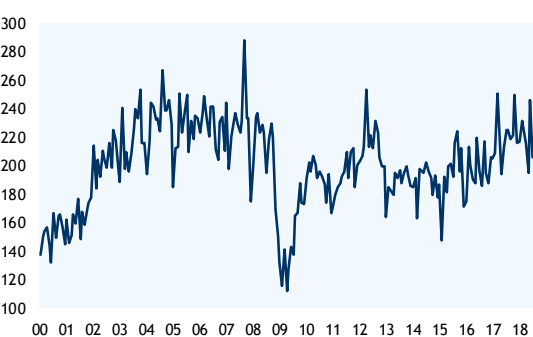
% change, month-over-month



Source: Statistics Canada

Housing starts

Thousands



Source: Canadian Mortgage and Housing Corporation

Canadian July Employment Soars Higher

Latest available: July

Release date: August 10, 2018

Employment soared a much stronger-than-expected 54k building further onto the 32k gain in June. All of the unexpected strength could be attributed to the education component rising 37k in the month. The solid increase in employment contributed to the unemployment rate dropping back down to 5.8%. Wage growth moderated to 3.0% after overstated gains the previous two months averaging 3.7%.

Canadian retail sales bounced back solidly in May

Latest available: May

Release date: July 20, 2018

Retail sales rose 2.0% both in nominal and volume terms to reverse a big 0.9% drop (-1.1% volumes) in April. Retail sale volumes are tracking a solid rebound in Q2 as a whole after a soft start to the year in Q1. We are tracking a 0.2%-0.3% increase in overall May GDP. That would mark the fourth straight month of increases and would seemingly confirm that the slowing to a 0.1% increase in April was more tied to transitory factors than a fundamental slowdown in growth.

Canadian housing starts fell in July but pace of construction still strong

Latest available: July

Release date: August 9, 2018

Housing starts fell to 206k annualized units in July, retracing a good portion of June's unexpectedly strong jump to 246k. The 6-month trend in housing starts edged down to 220k annualized units from 222k in the previous month. That pace remains well above most estimates of underlying household formation. July's pullback was concentrated in multi-unit starts, which jumped to a record high in the previous month. Single unit starts also fell, hitting their lowest level in more than three years. Ontario and Quebec saw the most substantial slowdown in July after sizeable gains in June.

Canada's trade deficit gapped lower in June

Latest available: June
Release date: August 3, 2018

June's \$0.6 billion deficit is the smallest since January 2017. Exports rose 4.1% in June though roughly half of that increase was price-related. Imports edged down only slightly. Non-energy export volumes rose for the third time in four months and were up strongly in Q2. But the level itself remains in the same range seen over the last few years.

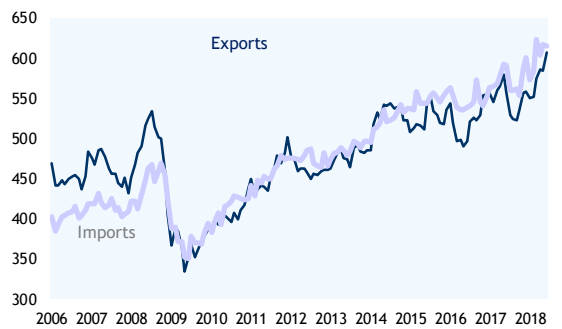
Canadian July CPI Jumps Significantly Higher

Latest available: July
Release date: August 17, 2018

Canadian inflation report for July came in much stronger than expected with the year-over-year rate unexpectedly jumping to 3.0% rather than expectations for an unchanged 2.5%. A lion's share, though not all, of the upward surprise could be attributed to sizeable increases in airfares and travel services. Despite evidence of price pressure emerging in the overall CPI, the Bank of Canada will likely take some comfort from the annual increase in its core measures remaining at 2.0% in July and thus in line with its inflation target.

Merchandise trade

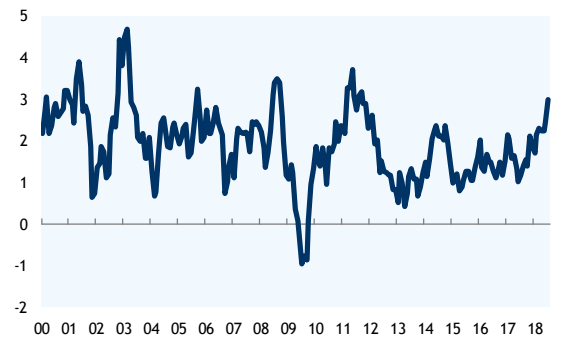
C\$ billions, annualized



Source: Statistics Canada

Consumer price index

% change, year-over-year



Source: Statistics Canada

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